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Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Financial resources

Issues and principles for possible improvements in the present arrangements for programme financing

Introduction and background

1. In its decision 99/2, the Executive Board requested the Administrator to submit to the Executive Board, at its annual session 2002, a report on possible improvements of the present target for resource assignment from the core (TRAC) resource distribution model, including a review of thresholds. The purpose of this conference room paper is to initiate the consultative process, both formal and informal, leading to an Executive Board decision in 2002, that will confirm or replace the current programming arrangements for 2004 and beyond. Such a review is particularly timely in light of the transformation of UNDP through the implementation of the Administrator's Business Plans, 2000 to 2003, which he presented to the Executive Board at its first regular session 2000.

2. In its decision 95/23 on the successor programming arrangements, the Executive Board established a new programming framework (initially covering the period 1997-1999 and later extended through 2003 in decisions 98/19 and 99/2) that introduced the most significant changes to the programming framework since General Assembly resolution 2688 (XXV) (the Consensus) of 1970. Some of the changes brought about by decision 95/23 were:

(a) A revised resource distribution methodology that allocated a higher proportion of resources to least developed countries (LDCs) and low-income countries;

(b) The replacement of the indicative planning figure (IPF) with a more flexible three-tiered system for resource assignment using the TRAC model, which includes an incentive-based element and specific allotments for countries in special development circumstances;

(c) The introduction of a rolling, three-year resource planning scheme to replace the previous five-year, fixed programming cycle; and a planning target for core resources of $3.3 billion, thereby explicitly linking the programming framework to a more predictable, regular income scenario.

3. Landmark decision 98/23, in which the Executive Board introduced the multi-year funding framework (MYFF) for UNDP is of particular significance in the review of UNDP programming arrangements. A principle goal of the MYFF is to ensure predictable voluntary funding at the level of $1.1 billion per annum and a framework for linking all resources regular and other (i.e., core and non-core), allocated through the biennial support budget or the programming processes, to development results — the strategic results framework (SRF). However, the level of voluntary

01-35596 (E)

funding has steadily declined and is currently estimated at $634 million (compared to the planning target of $800 million) for 2000 or 42 per cent less than the $1.1 billion target set for 2003 in decision 98/23. This has led to significant reductions in programming levels as well as in country office capacities, including UNDP support to the resident coordinator system.

4. Now more than ever, UNDP aspires to being a lean, nimble organization committed to results and bringing value-added, demand-driven advice to programme countries. Current processes must be substantially transformed so that UNDP can operate on the basis of a clear, user-friendly resource allocation model. The present document is submitted to the Executive Board with that consideration in mind.

I. Principles and issues to be considered in future improvements to present programming arrangements

A. Focus on the poorest countries

Principle

5. It is of paramount importance that the resource distribution formula be based on fair, universally accepted criteria. The formula currently used for assigning TRAC line 1.1.1 is a combination of gross national product per capita and weighted population size.

Issue

6. It is conceivable that alternative models will better meet the dual goal of (a) focus on the poorest and (b) achieving greatest results or impact as far as priority human development is concerned. The Executive Board may wish to examine how other organizations rationalize distribution of development resources, including how development needs are determined and how population size is reflected. A review of the distribution methodology and thresholds used in UNDP and other organizations will be available by the end of 2001 to assist the Board in its deliberations on the future of the existing arrangements. It may be useful to recall that in its decision 99/2, the Board expressed concern that a meaningful focus on low-income countries and LDCs in terms of impact may be unattainable unless the $1.1 billion target was reached.

B. Performance and flexibility

Principle

7. In its decision 95/23, the Executive Board introduced an incentive-based element to resource allocations. Countries are allocated a base amount (TRAC line 1.1.1) determined by the TRAC distribution methodology and compete, in principle, for an additional allocation (TRAC line 1.1.2) up to a maximum equivalent to the base amount. To enable UNDP to respond to new challenges either in unforeseen emergencies or in advocacy/advisory role, the successor arrangements also introduced (a) a special allocation for countries in special development circumstances (TRAC line 1.1.3) to be assigned on the basis of need and (b) new assignments for development and technical advisory services as well as changes in the administrative overheads for project execution or implementation.

Issue

8. Lessons learned during the implementation of decision 95/23 indicate that the internal arrangements in UNDP for assigning TRAC line 1.1.2 can be improved; for example, they could be made less labour-intensive and more linked to internal results assessment tools always bearing in mind the two provisos in decision 95/23:

(a) "for initial planning purposes, the amount allocated to a country under line 1.1.2 will be roughly comparable in proportional terms to what it receives under line 1.1.1"; and

(b) "the process of resource allocation should be transparent and conform to the general poverty orientation reflected in the allocation to the low-income countries and the least developed countries contained in paragraph 24 of the present decision as well as to reflect the same regional distribution as for line 1.1.1."

The problem is that core resources are currently at a much lower level than when the decision was adopted; as a result transaction costs are high for UNDP to assess ex-ante all proposals submitted for TRAC line 1.1.2 funding. UNDP will thus have to revisit its

internal procedures, building on its recent experience with results-based management tools. Consideration must also be given to assigning TRAC line 1.1.2 resources in an opportunity-driven way. Furthermore, in the current environment in which UNDP functions, the country offices require flexibility in accessing resources for their advocacy and upstream advisory roles. The secretariat will submit a number of realistic proposals to the Executive Board.

Steps ahead

9. It is proposed that a series of informal meetings be held with Member States during autumn 2001 to review the principles and issues discussed above. This would most likely lead to a conference room paper for formal review by the Executive Board at its first regular session 2002, followed by additional informal meetings as needed. A discussion of the review of the TRAC distribution methodology and thresholds, requested by the Board, is also foreseen for the first regular session 2002. The process should ideally result in the preparation of a decision-oriented document for the annual session 2002, as requested by the Board in its decision 99/2.